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SUBJECT: CONGO-KINSHASA AGOA ELIGIBILITY REVIEW 2004

REF: STATE 168472

1. This cable responds to reftel request for an AGOA eligibility review and update of the Democratic Republic of Congo (DRC).

2. Summary. Since October 2003, the DRC has made progress in almost all areas listed in reftel. The DRC has maintained sound fiscal and monetary policies leading to broad praise from the IMF and World Bank and continued economic growth. As the DRC continues its transitional period from war to peace, the trade preferences granted by AGOA support the development of the formal economy, easing the reintegration of former combatants. Given that the DRC was mired in an openly declared civil war until July 2003, the progress made in one year is significant. End Summary.

MARKET BASED ECONOMY

3. The DRC is currently working with the World Bank to develop and implement a private sector development plan. This will involve the eventual privatization of many defunct and bankrupt state-owned enterprises. Several mining parastatals are already in joint-venture negotiations with major multinational mining corporations. Private sector development is a key objective of the Congolese government as a means to foster economic growth. Additionally, the exchange rate has freely floated for two years without significant government intervention.

RULE OF LAW/POLITICAL PLURALISM/RIGHT TO DUE PROCESS

4. Although the judicial system is still far from Western standards, the GDRC has made an effort to work with bilateral and multilateral donors to develop capacity building programs for the law enforcement and judiciary systems. Military and police training are improving the quality of Congolese law enforcement. Belgian and French trainers have, respectively, helped develop an entire army brigade and a rapid intervention police group. French Cooperation Agency and the EU are also working with the Ministry of Justice to improve the Congolese judicial system.

5. Political pluralism is in a state of rebirth at present. The Transitional Government includes representatives from the political opposition in both the legislative and executive branches. There is no serious oppression of political parties and a variety of print and electronic news sources provide for a broad range of political debate.

ELIMINATION OF BARRIERS TO U.S. TRADE AND INVESTMENT

6. The GDRC is working with the World Bank to improve the investment climate in the DRC. New investment, mining, forestry and labor codes provide modern legal foundations for doing business in the DRC. Implementation of these laws is done on an ad hoc basis with the aid of the World Bank. For example, at Matadi and Kinshasa, the World Bank designed "Guichet Unique" provides a one-stop shop to pay all customs and port fees electronically. The National Investment Promotion Agency (ANAPI) also serves as a facilitator for investors exploring opportunities in the Congo. The DRC does not have any barriers specifically erected against U.S. trade or investment.

ECONOMIC POLICIES TO REDUCE POVERTY

7. The GDRC recently submitted its draft Poverty Reduction Strategy Plan (PRSP) to the IMF for review. The three main axes of the PRSP are peace consolidation, macroeconomic stabilization and pro-poor economic policies, and community led initiatives. The GDRC intends to put USD 80 million of funds liberated by HIPC debt relief to use in social spending and poverty reduction programs. (Note. Neither the Ministry of Plan - which handles the PRSP - nor the Presidency has given specifics on a timeframe for dedication of the funds. End Note.) Post does not expect that implementation of the PRSP will come in the near term. Meanwhile, per capita income has increased approximately USD 10 since 2002, reaching USD 98 per year. Purchasing power has slightly increased as evidenced by increased purchases of staple food products. Sound monetary policy is helping to keep the exchange rate stable and give a modicum of security to the local population.

SYSTEMS TO COMBAT CORRUPTION

18. The Congolese government suffers from rampant institutionalized corruption. Civil servants are poorly paid or not paid at all. This environment breeds opportunistic behavior, and it is unlikely to fade away in the near future. Pressure by the World Bank and IMF to reduce government payrolls will help to make better use of salary budgeting giving less incentive to accept bribes or negotiate payments for services.

19. In the past year, the GDRC has held several seminars to discuss anti-corruption. Most high-level government officials recognize that Western countries are interested in reducing corruption and make sure to mention that they are working toward that goal. The GDRC continues to work on several anti-corruption initiatives with NGOs such as the International Foundation for Elections Systems (IFES), National Democratic Institute (NDI) and Innovative Resource Management (IRM). However, no formal program or system has been established to fight corruption.

PROTECTION OF WORKERS RIGHTS

10. The New Labor Code, drafted with World Bank assistance, guarantees workers rights per International Labor Organization (ILO) standards. It quite often goes beyond the basic rights under the ILO and imposes heavy requirements on the employer, such as lodging, medical and transportation stipends. However, application of the law is not consistent. Workers in unions have the right to strike but must often resort to obtaining the support of the Minister of Labor to make headway with employers. As in most less developed countries, working conditions in industrial factories and mines, at times, do not meet Western hygiene and safety standards. However, the majority of the Congolese population (approximately from 80-90 percent) works in the informal sector and does not fit into a traditional employer-employee relationship.

COMMENT AND RECOMMENDATION

11. Post recommends that the DRC remain eligible for all aspects of AGOA, except the textile provisions. (Note. The DRC does not yet have an approved visa scheme for textiles. End Note.) The DRC is emerging from a six-year period of war. The Transitional Government is cautiously moving to implement new laws to foster investment and economic development and to reduce poverty. Although AGOA benefits are not fully enjoyed by the DRC due to a general unfamiliarity of the program, the DRC could begin to take advantage of the initiative in the future. AGOA has the potential to aid in the development and growth of the formal sector of the DRC economy, which is a stated goal of the GDRC. End Comment.

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